

Thank you Speaker McCoy and Governor Bryant, and thanks to you in the Legislature for your warm welcome.

General Freeman is with us tonight. While we don't have as many of our National Guard in harm's way as we have in past years, we should never forget to be thankful for their sacrifice and the sacrifice of others in uniform – law enforcement, fire fighters, corrections and conservation officers, EMTs. Please join me in a moment of silent prayer for those men and women and their safety and success.

This is the eighth and final time Marsha and I will appear on this podium for me to deliver my State of the State address.

When Marsha and I married, 39 years ago, I knew I had out-married myself. Over the last seven years you and the people of Mississippi have recognized that fact, too. She not only has joined me at each of these occasions, she also has been part of the work I have tried to do for our state, especially in the grueling weeks and months after Katrina.

As I composed this last State of the State address I couldn't help but think how much has changed in these seven years. To start with, I did the speech on my new iPad. In 2004, iPad is what Marsha called what I did to my weight during Christmas.

Reflecting back, it was essential that state government make a number of significant changes when I stood up here the first time in January 2004.

The state budget was in awful shape with an enormous shortfall, and we had about \$3 million of unallocated monies in our Rainy Day Fund; lawsuit abuse had created a health care crisis in our state, and every small business in Mississippi was one lawsuit away from bankruptcy; despite a surging drug epidemic, the drug enforcement budget had been cut by almost 40 percent; and though the national recession had been over for more than two years, the need for job creation was first on the minds of nearly every voter.

Mr. Speaker, I vividly remember the first time we ever visited. You told me that campaigning for re-election in 2003 you had gone down a country road and, at each of three houses in a row, someone had lost his job that year.

Legislators, I applaud you and your predecessors on the actions you took to deal with these and other problems. It wasn't easy or always pretty. Sometimes we battled, but we accomplished a lot, together.

While it took two-plus years, we got our budget back to where the state spent no more than it received in annual revenue, and we quit raiding balances in special funds. We replenished the Rainy Day Fund to its statutory limit of \$375 million and created other reserves to cover potential federal liability. And we did it without raising anybody's taxes.

Despite the worst recession in generations and a steep drop in revenue, we've kept our budget balanced by cutting spending and without depleting all our reserves. If you adopt my budget recommendation for next year, FY 12, the new governor and legislature who follow us will have some \$200 million left in reserves for FY 13, plus our school districts have more than \$450 million in their reserve funds.

I realize this is an election year, and every penny of appropriated spending has a constituency. You will get pressure to spend more for this and spend more for that.

As Governor I have cut the budget by a total of about \$700 million in just the last two years. Just as our constituents have cut back, they expect state government to cut back. They know the alternative is raising taxes, because government has no money except what it takes from them. The people of Mississippi deserve to keep more of what they earn, and we owe it to the people of Mississippi not to raise taxes and to control spending.

Not only do I urge you not to consider tax increases this year, I implore you to keep spending at a level this year that protects more of our reserves for next year. That is the way to stop any tax increases in 2012.

Remember, what we have accomplished in controlling spending over seven years can be lost in only one year.

Our first year you passed and I signed the most comprehensive tort reform law in the country, and it worked. Medical liability premiums have declined by 61 percent, and the number of medical liability cases filed against Mississippi physicians fell ninety percent within one year of the law's going into effect.

Tort reform also has been a major factor in economic growth and job creation.

Starting that first year, we implemented significant, successful changes to spur the creation of more, higher paying jobs for our people. We reorganized the Development Authority, gave it outstanding new leadership and began our Momentum Mississippi campaign. MDA's results are striking. This team has supported businesses that created 64,666 jobs in this state.

We created our new Department of Employment Security and expanded it to take over workforce development and job training. The State Workforce Investment Board was established, and the Workforce Enhancement Training or WET Fund came into existence through a diversion of the unemployment insurance tax, a tax you also cut by 25 percent that same year.

Now, every year, the WET fund puts about \$20 million into workforce development and skills training at our 15 community colleges, which do a

great job. A study of graduates of WET fund financed programs show they make \$4,300 more per year than before that training, and our improved, skilled workforce has been a reason companies like Toyota, GE Aviation, PACCAR, Severstal and a long list of very high-tech energy companies have come to Mississippi.

Coupled with workforce quality, the State has focused on attracting advanced manufacturing with advanced materials. We've targeted aerospace, automotive and energy, as well as service sectors. We've also beefed up our efforts to help existing businesses.

The results include a 27 percent increase in personal per capita income despite the recession. This is the 15<sup>th</sup> highest increase in the country over this six-year period.

While we're not immune to the effects of the national recession, we've fared better in other measurements, too. For instance, while our unemployment percentage has increased, it has done so at a rate about half as great as the nation as a whole.

In law enforcement, we have fought the scourge of illegal narcotics with a vengeance. In 2005 you passed laws to reduce the production and use of crystal methamphetamine. When the criminals learned how to get around those laws, you made the necessary changes, and they are working. In the first six months of this fiscal year – July 1 to December 31, 2010 – 68 percent fewer meth labs have been reported; meth arrests are down 62 percent; the number of drug-endangered children has fallen 76 percent. Congratulations to the Bureau of Narcotics, the Department of Public Safety, and to you for making the needed legislative changes.

To keep law enforcement where we want it, I'm announcing tonight that I will dedicate \$7.3 million of the governor's discretionary funds to hold a troopers' school this calendar year. If you will join me in moving motor carrier enforcement from MDOT to the Department of Public Safety, freeing up 40 current highway patrolmen, that would mean nearly 100 more state troopers on the road.

Finally, I am proud that Mississippi cast the highest percentage of its vote of any state in favor of the Defense of Marriage Act, defining marriage as a union between one man and one woman; and that in 2004, my first year,

after we worked together to enact comprehensive pro-life legislation, Americans United for Life, a national right-to-life organization, named Mississippi “the safest state in America for an unborn child.”

Yes, you have accomplished a lot. Positive change has been the norm, and Mississippi, despite the global recession, is a better place in so many ways than it was seven years ago.

Even with this progress, we all know there’s more to be done. While state government can’t eliminate many effects of the national recession, we can improve the way we do things, and, in turn, improve the lives of our citizens, the education of our children and the prospects for our employers and employees.

Last week I announced the Division of Medicaid appears to be on track to run a surplus of \$40-50 million this fiscal year, probably because of less utilization than projected.

Congratulations to the Division of Medicaid for an outstanding job of managing this enormous program and controlling its mammoth costs.



Let me remind you what a change that represents. When I became Governor, Medicaid costs were skyrocketing. System controls were so weak, that the last year before I entered office, Medicaid spent \$79 million of state funds and didn't even enter the cost on its books. Many of you will remember the Special Session we held to clean up that mess.

I'm pleased to tell you and the people of Mississippi that today our state Medicaid program is run with compassion and efficiency for its beneficiaries and their providers and for the people who pay for it: the taxpayers. The federal authorities reported last year that Mississippi's Medicaid error rate is 3.47 percent, the fourth lowest in the country. The national error rate is more than twice as high.

Because of this surplus I have instructed the Division of Medicaid to exercise its authority under state law to use a portion of this FY11 surplus to create 7,800 additional slots for eligible Medicaid beneficiaries to receive home and community based care. Currently we have a waiting list of 6,100 beneficiaries who are waiting to be provided care in their homes and their communities. I expect the entire 7,800 allocation to be filled this fiscal year.

Both Senator Hob Bryan and Representative Steve Holland, who chair the Senate and House Public Health Committees, respectively, are outspoken proponents of increased home and community based care for people on Medicaid. Both are Democrats, but I appreciate our agreement and our ability to work together for this purpose.

The increase in the number of home and community care slots will lead to a broader, stronger infrastructure to deliver such services across the state that, in the long run, will provide better healthcare at lower cost. This will be a blessing to both the beneficiaries who want to, can and should be receiving care and services at home and in their communities . . . and to the taxpayers.

Last week you started this session by funding a loan for Stion, a cutting-edge, low-cost manufacturer of thin film solar panels, which will build these panels in Hattiesburg, investing \$500 million and employing 1,000 people within six years. I applaud committee chairs Senator Dean Kirby and Representative Percy Watson on that. We all know a big job creation project is a great way to start a session.

The national recession notwithstanding, job creation will pick up in our state this year. As evidence of that, in the first three quarters of 2010, Mississippi saw more new jobs and investment than were announced in all of 2009.

Toyota and its suppliers have stepped up hiring. GE Aviation, EADS and PACCAR are adding employees, while new companies like Twin Creek Technologies in Southaven and Schulz in Tunica will be operational this year. Nissan, which had an outstanding year in 2010, is also ramping up, including introduction of its new light commercial vehicle.

Agriculture had a tremendous year last year. Because farming does not directly employ that many people, some lose sight of how large and important a part it plays in our economy.

In 2010 total value of our crops, including poultry and timber, was nearly seven billion dollars, a record. And commodity prices are promising for this year. We can't forget how important agriculture and forest products are to our State and communities.

I mention these things because our goal has to be to grow our economy faster than the nation as a whole, and we can do it. We have to focus on our advantages: low taxes, a friendly business climate, rational regulation, abundant natural resources and especially a first rate, affordable work force. And we're committed to continuous improvement of that great workforce.

Our four research universities have become more effective engines of economic growth. All four have a lot to offer. Mississippi State's Center for Advanced Vehicular Studies and Raspet Flight Center; the E-Center at Jackson State; the Polymer Institute at USM; and the Center for Manufacturing Excellence at Ole Miss are obvious resources that major and small employers find terrifically useful. And companies like SemiSouth in Starkville, FNC in Oxford and WarmKraft in Taylorsville spun off from our research universities.

Further, our community colleges have been and remain critical in the enormous and continuing improvement of skills in our workforce. Toyota said the main reason it chose Mississippi for its newest assembly plant, the most sought after economic development project in the country that year, was the quality of our workforce.

And I remember well when the Vice Chairman of General Electric, one of the biggest manufacturers in the world, announced GE Aviation would locate a facility to make composite jet engine fan blades and assemblies in Batesville. He said, “This is the most sophisticated manufacturing General Electric does anywhere in the world, and we’re going to do it in North Mississippi.” What a tribute to our workforce!

Eighty-nine percent of our state’s kids go to public schools. To have the kind of workforce to succeed in the 21<sup>st</sup> century, we start in K-12.

Our schools are getting better. Our last NAEP scores were up more than the national average, and the drop-out rate is going down. But that improvement is not enough.

We need to make dual enrollment easier and more common. The students can learn more, and their parents will save money as college credits are earned while in high school.

In constrained budget times we must put more resources into the classroom and reduce what is spent on administration. We must continue to focus on improving the quality of teachers coming out of our colleges of education, while simultaneously using technology more in teaching our kids.

Finally, because competition is good in every sphere, I urge you to reform Charter School law so more children can benefit.

With excellence in education we will keep pushing for job creation.

Hopefully, the federal government will start making it easier for us, instead of harder.

Congress' passage in the lame-duck session of an extension of the Bush tax cuts removes a critical obstacle to economic growth. For two years the threat that the President and the Majority in Congress would let the largest tax increase in history go into effect this month was an enormous cloud that retarded investment and job creation. Now it's gone.

We still have federal policies that stifle economic growth: If the Obama Administration's health care mandates actually go into effect, employers

don't know what their costs and responsibilities will be, so it impedes hiring; uncertainty about the Dodd-Frank financial services law and its implementation stymies investment; and the gigantic deficits and resulting purchases of trillions in US treasuries by the Fed mean all that money can't go into financing private sector projects.

More obvious every day, the Obama Administration's energy policies are driving up the cost of energy. Gasoline costs more than three dollars a gallon because the administration's energy policy can be stated in one sentence: Increase the cost of energy so people will use less of it.

Don't take my word for it. Remember the President said in 2008 that his cap-and-trade plan would necessarily cause electricity prices to skyrocket, and Energy Secretary Chu said the country needed for our gasoline prices to increase to what they are in Europe. That's six to nine dollars a gallon!

Sunday's Clarion Ledger includes a column by Dr. Shughart at Ole Miss that catalogues example after example of the Environmental Protection Agency's anti-energy efforts, all of which drive up energy costs.

Well, we don't need higher fuel prices in Mississippi; but other than litigation and encouraging our Congressional delegation, we can't change federal energy policy; even when it closes down oil and gas production in the Gulf and costs thousands of jobs in the Gulf states.

But we can continue to make Mississippi an energy-reliable state. We have an energy policy, and it's "more American energy." We promote all forms of energy that can compete in the market place successfully; all of the above plus conservation and efficiency.

More American energy means more energy security and less of our money going for foreign oil, often sold by countries that don't like us. Abundant, affordable energy will help American business, especially manufacturing, stay competitive in the global marketplace. And, of course, that means more jobs and a better quality of life for Americans.

The current federal policy of more expensive energy so people use less energy is not an energy policy. It is an environmental policy; one that hurts



the economy, blocks job creation and ultimately reduces standards of living in America.

We can't repeal that bad policy yet, but in Mississippi we'll continue our state policies that generate higher skilled, better paying jobs while making us an energy-reliable state.

Your support in that has been and remains indispensable. It contributed to Mississippi Power's new \$2.5 billion coal-fired plant in Kemper County; Entergy's \$500 million investment to increase output at Grand Gulf Nuclear Station by 13 percent, and SMEPA's \$500 million in upgrades. Chevron continues to invest hundreds of millions at Pascagoula, its largest refinery in the U.S.; next door to Chevron, Gulf LNG is half way finished with its \$1-plus billion liquefied natural gas terminal. Denbury's tertiary recovery projects have helped increase the state's oil production. Bluefire has begun construction of a cellulosic ethanol plant in Fulton, and Enerkem has plans to build a waste-to-liquid transportation fuels facility in Pontotoc. Ergon and Bunge's \$100 million ethanol plant in Vicksburg is fully operational.

This quarter Twin Creeks' facility in Senatobia will begin manufacturing solar panels. Stion's operations will begin this year, and Soladigm's ultra-high tech dynamic window plant in Olive Branch will be in production this year as well.

Finally, we're optimistic that Kior soon will be breaking ground in Columbus for its first biocrude refinery, and Rentech has purchased a site for its coal to liquid motor fuels facility in Natchez.

These projects are generating more than \$10 billion in capital investments in our state and creating thousands of jobs. Many of these projects will result in new markets and higher prices for Mississippi farm and timber products and our lignite coal.

Critically, many will reduce energy use or reduce emissions. In fact, the Mississippi Power Kemper County plant is the first commercial scale coal-fired power plant in the U.S. with carbon capture and sequestration. Its emissions will be the equivalent of a natural gas fired facility.

Tourism is and will remain a large employer in Mississippi and a big piece of our economy. Further, tourism helps our image.

While Mississippi has suffered from a negative image all my life, people who actually visit here almost always go home with a better impression and a positive experience.

In 2007 I recommended to you that we build a Civil Rights Museum in our state. The Civil Rights struggle is an important part of our history, and millions of people are interested in learning more about it. People from around the world would flock to see the museum and learn about the movement.

A commission headed by former Supreme Court Justice Reuben Anderson and former federal judge Charles Pickering developed a design and a plan. The proposal went sideways because of a disagreement about where the museum should be located.

Recently I've talked with Justice Anderson and former Governor William Winter, and they have recommended a solution to me. I'm presenting it

tonight because this is the year to get this museum going. It is the 50<sup>th</sup> Anniversary of the Freedom Riders and the 150<sup>th</sup> Anniversary of the start of the Civil War.

Governor Winter and Justice Anderson recommended we build the Civil Rights Museum adjacent to the proposed Mississippi History Museum at the existing site in downtown Jackson.

I urge you to move this museum forward as an appropriate way to do justice to the Civil Rights Movement and to stand as a monument of remembrance and reconciliation.

As I close I want to return to Mississippi's leading the nation out of the recession.

We are well prepared to make a major leap forward. We saw it in the surge that was cut off by the national recession in 2008. This period was marked by increasing employment, rising incomes, replacing low-skill, low-paying jobs with higher skilled, better paying jobs.

We can get back on that roll. We have advantages over other states, but what we need most is attitude. And we showed that “can-do” attitude after Katrina.

When the Coast got obliterated by the worst natural disaster in American history and hurricane force winds extended 240 miles north up to West Point, our people didn’t whine or mope. They weren’t looking for somebody to blame.

No, Mississippians proved themselves to be strong, resilient, self-reliant people. They got knocked flat, but got right back up and went to work; went to work helping their neighbors as well as themselves.

And the country and the world noticed. I can’t tell you how many times after the storm other governors, or senators, or CEOs told me, “Haley, you’ve got to be proud of your people.” And, of course, I was.

You know, it is true that the Lord works in mysterious ways. Today I realize the response of our people to Katrina and its devastation has done more to

help the image of Mississippi than anything else that's happened in my lifetime.

People saw our state and our people in a new light. They gave us a chance to compete for their business, their vacations, their expansions. That got us on a roll.

Now we've got to get back on that roll. The country and world have a new image of our state. They're prepared to give us a chance, to let us compete.

So it is up to us to meet to the challenge; no, the opportunity. If we grasp this opportunity, it will propel Mississippi to our rightful place as a leading, thriving state in the fastest growing section of the country.

It was once said, "Mississippi is the most underestimated place in the country, and Mississippians are the most underestimated people."

Well, today, after Katrina, we've learned to quit underestimating ourselves. We've proven to the world what Mississippians are made of. And the world likes what it saw ... and sees.

Now it is up to us to seize this moment.

The stakes are simple but huge: In this decade Mississippi mothers and grandmothers can see their children and grandchildren choosing to stay in Mississippi because Mississippi is the best place to build a successful career, to have the most opportunities and to enjoy this sweet land's quality of life. That's the dream of every mother and grandmother, and with the right attitude and hard work, we can make it reality.

Thank you for all you have done to change our state for the better. Let's keep moving forward together.

God bless you and God bless America.